

Message Text

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DEPT PLS PASS TREASURY FOR ASSISTANT SECY BERGSTEN

E.O. 11652: GDS
TAGS: EGEN, EFIN, ENRG, PINT, GB, US
SUBJ: TREASURY ASSISTANT SECRETARY BERSTEN'S MEETING
WITH PRESIDENT BONGO

1. SUMMARY: TREASURY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS C. FRED BERGSTEN CALLED ON PRESIDENT BONGO ON MAY 3. MEETING LASTED APPROXIMATELY FIFTY MINUTES, AND TONE WAS EXTREMELY CORDIAL. PRINCIPAL ISSUES DISCUSSED INCLUDED FMS PAYMENTS (SEPTTEL), AIR GABON'S PLANS TO PURCHASE BOEING 747 (SEE SEPTTEL), AND OIL PRICING. THIS MESSAGE WAS DRAFTED AFTER A/S BERGSTEN'S DEPARTURE AND IS SUBJECT TO HIS CORRECTION. END SUMMARY.

2. TREASURY ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS C. FRED BERGSTEN CALLED ON PRESIDENT BONGO MAY 3 WITH AMBASSADOR AND ECONOFF. A/S BERGSTEN OPENED BY COMPLIMENTING PRESIDENT BONGO ON HIS ADDRESS BEFORE OPENING SESSION OF AFRICAN DEVELOPMENT BANK AND STATED THAT PRESIDENT BONGO'S SPEECH WAS ONE OF THE BEST HE HAD HEARD, HAVING ATTENDED MANY SIMILAR MEETINGS. EMBASSY WILL CONFIRM HETHER TEXT WAS CARRIED BY INTERNATIONAL WIRE SERVICES AND WILL POUCH COPY TOGETHER WITH TRANSLATION FOR ASSISTANT SECRETARY BERGSTEN AND AF/C. PRESIDENT BONGO
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REPLIED BY SAYING THAT IT WAS ONLY INDUSTRIALIZED COUNTRIES OF THE WEST (US, FRANCE, FEDERAL REPUBLIC OF GERMANY, JAPAN, ETC.) WHICH HAD CONTRIBUTED TO GABON'S DEVELOPMENT. EASTERN EUROPEAN COUNTRIES AND USSR HAD GIVEN NOTHING.

3. A/S BERGSTEN REFERRED TO PRESIDENT BONGO'S TWO MEETINGS WITH PRESIDENT CARTER LAST YEAR AND TOLD PRESIDENT BONGO

HOW MUCH PRESIDENT CARTER VALUED HIS FRIENDSHIP. HE ALSO TOOK OPPORTUNITY TO EXPRESS PRESIDENT CARTER'S DEEP CONCERN RE DISAPPEARANCE OF HELICOPTER CARRYING MEMBERS OF MRS. BONGO'S FAMILY (STATE 92356). PRESIDENT BONGO WAS APPRECIATIVE OF COMMENTS AND ADDED THAT PRESIDENT CARTER HAD ASSISTED IN SEARCH BY PROVIDING USE OF AIRCRAFT FOR WHICH HE WAS GRATEFUL. QUOTE HE DID WHAT HE COULD. UNQUOTE.

4. A/S BERGSTEN EXPRESSED ADMIRATION FOR GABON'S ECONOMIC DEVELOPMENT PROGRAM, PARTICULARLY TRANSGABON WHICH HE HAD VISITED IN VICINITY OF NDJOLE ON MAY 2 AND WHICH HE HAD FOUND MOST IMPRESSIVE. PRESIDENT BONGO TOOK OPPORTUNITY TO DESCRIBE WHAT HE CALLED HIS LIBERAL ECONOMIC POLICY AND TOLD A/S BERGSTEN THAT FOREIGN COMPANIES WERE FREE TO COME TO GABON, INVEST HERE, AND ESTABLISH THEMSELVES, EITHER ALONE OR IN PARTNERSHIP WITH GABONESE GOVERNMENT WITH NO FEAR OF EXPROPRIATION OR NATIONALIZATION. PRESIDENT BONGO WAS VISIBLY PLEASED TO HEAR A/S BERGSTEN'S COMMENTS ABOUT TRANSGABON PROJECT AND SAID TRANSGABON REMAINS QUOTE PRIORITY OF PRIORITIES UNQUOTE.

5. A/S BERGSTEN THEN RAISED QUESTION OF OIL PRICES AND OIL PRODUCTION IN GABON. PRESIDENT BONGO SAID THAT GABON WAS MAKING EVERY EFFORT TO MAINTAIN PRODUCTION
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AT CURRENT LEVELS OF "14 TO 15 MILLION TONS PER YEAR."
COMMENT: LEVELS ARE NEARER 11 MILLION METRIC TONS.
END COMMENT.

A/S BERGSTEN TOLD PRESIDENT BONGO THAT OPEC'S DECISION IN LATE DECEMBER NOT TO INCREASE OIL PRICES WAS APPRECIATED AND WAS VIEWED AS AN ACKNOWLEDGMENT OF RESPONSIBILITY. HE WENT ON TO SAY THAT OIL PRICE INCREASES WOULD HAVE ADVERSE EFFECTS ON DEVELOPING COUNTRIES AS WELL AS OIL IMPORTING COUNTRIES. PRESIDENT BONGO SAID THAT GABON WOULD OPPOSE ANY FUTURE OIL PRICE INCREASE WITH IMPORTANT AND CRUCIAL PROVISION THAT VALUE OF DOLLAR IMPROVED BECAUSE DOLLAR WAS NOT FOR OIL PRICING. IF DOLLAR VALUE DID NOT IMPROVE, GABON WOULD PROBABLY SUPPORT A PRICE INCREASE SUFFICIENT TO RETURN TO 1976-1977 REVENUE LEVELS AS DETERMINED BY EXCHANGE RATE APPLICABLE AT THAT TIME.

6. A/S BERGSTEN EXPLAINED THAT DOLLAR WAS IMPROVING IN RELATION TO MARK, YEN AND SWISS FRANC BUT THAT GAINS WERE NOT YET AS MARKED AS THEY MIGHT BE BECAUSE FRENCH FRANC WAS IMPROVING SIMULTANEOUSLY FOLLOWING FRENCH

ELECTIONS. THIS POINT WAS OF PARTICULAR CONCERN TO GABONESE GOVERNMENT BECAUSE CFA CURRENCY IS PEGGED TO FRENCH FRANC AT SET RATE OF 50 CFA TO ONE FF. A/S BERGSTEN REFERRED TO PRESIDENT CARTER'S APRIL 11 SPEECH AND ASSURED PRESIDENT BONGO THAT PRESIDENT CARTER ATTACHES GREAT IMPORTANCE TO VALUE OF DOLLAR ON WORLD MARKET AND THAT VALUE OF DOLLAR SHOULD IMPROVE STEADILY WITHIN COMING MONTHS. HE SUGGESTED THAT GABON OUGHT TO STICK WITH THE DOLLAR AS BEING PROFITABLE IN LONG RUN. A/S BERGSTEN MENTIONED THAT HE UNDERSTOOD PRESIDENT BONGO'S CONCERN ABOUT DECREASE IN REVENUES FROM OIL BECAUSE OF DOLLAR'S DECLINE BUT THAT CONSIDERATION SHOULD ALSO BE TAKEN OF TREMENDOUS INCREASE IN OIL REVENUES IN 1976-1977
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WHEN DOLLAR WAS PARTICULARLY STRONG. AVERAGE OF TWO EXTREMES SHOULD NOT BE OVERLOOKED.

7. BALANCE OF DISCUSSION CONCERNED GABON'S PLANS TO PURCHASE 747 AND QUESTIONS OF FINANCING. THIS PORTION BEING REPORTED BY SEPTELS. WHEN PRESIDENT BONGO INITIATED THIS DISCUSSION, HE REFERRED TO AUDI CONDUCTED BY MORGAN GRENFELL, KUHN LOEB, AND LAZARD FRERES AND TO REPORT PREPARED BY IMF. HE STATED THAT GABONESE GOVERNMENT HAD ACCEPTED IMF RECOMMENDATIONS AND WOULD ABIDE BY THEM. A/S BERGSTEN COMMENTED THAT HE THOUGHT THAT WAS GOOD DEVELOPMENT SINCE HE THOUGHT POSITIVE MOVEMENT IN THIS AREA WOULD RESULT IN CONTINUING SUPPORT FOR GABON OF POTENTIAL INVESTORS AND OF EXTERNAL FINANCIAL COMMUNITY. TIENKEN

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